



AUSTPAC RESOURCES N.L.
ACN 002 264 057

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29 August 2014

The Manager
Company Announcements
Australian Stock Exchange Limited
Exchange Centre
Level 6
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

RE: AUSTPAC RESOURCES N.L.
PRELIMINARY FINAL REPORT 30 JUNE 2014

We are pleased to provide Australian Stock Exchange preliminary final report for the year ended 30 June 2014.

Yours faithfully

N.J. Gaston
Company Secretary

enc

Appendix 4E

Preliminary final report

Name of entity

AUSTPAC RESOURCES N.L.

ABN or equivalent company reference

87 002 264 057

Half yearly (tick)

Preliminary final (tick)

Financial year ended ('current period')

30 June 2014

Results for announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Revenues from ordinary activities (item 1.1)	Down	100%	to	-
Profit from ordinary activities after tax attributable to members (item 1.22)	Down	185%	to	(3,154)
Profit (loss) from extraordinary items after tax attributable to members (item 2.5(d))	gain (loss) of			-
Profit for the period attributable to members (item 1.11)	Down	185%	to	(3,154)
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend (Preliminary final report only - item 15.4)		N/A ¢		N/A ¢
Previous corresponding period (Preliminary final report - item 15.5)		N/A ¢		N/A ¢
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (see item 15.2)		N/A		
Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

Condensed consolidated statement of financial performance

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues from ordinary activities (<i>see items 1.23 -1.25</i>)	-	7,500
1.2 Expenses from ordinary activities (<i>see items 1.26 & 1.27</i>)	(3,154)	(3,776)
1.3 Borrowing costs		-
1.4 Share of net profits (losses) of associates and joint venture entities (<i>see item 16.7</i>)		-
1.5 Profit (loss) from ordinary activities before tax	(3,154)	3,724
1.6 Income tax on ordinary activities (<i>see note 4</i>)		-
1.7 Profit (loss) from ordinary activities after tax	(3,154)	3,724
1.8 Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)		-
1.9 Net profit (loss)	(3,154)	3,724
1.10 Net profit (loss) attributable to outside ⁺ equity interests		-
1.11 Net profit (loss) for the period attributable to members	(3,154)	3,724
Non-owner transaction changes in equity		
1.12 Increase (decrease) in revaluation reserves		
1.13 Net exchange differences recognised in equity		
1.14 Other revenue, expense and initial adjustments recognised directly in equity (attach details)		
1.15 Initial adjustments from UIG transitional provisions		
1.16 Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)		-
1.17 Total changes in equity not resulting from transactions with owners as owners		-

Earnings per security (EPS)	Current period	Previous corresponding Period
1.18 Basic EPS (in cents)	(.25 cents)	.26 cents
1.19 Diluted EPS (in cents)	(.25 cents)	.26 cents

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	(3,154)	3,724
1.21 Less (plus) outside ⁺ equity interests		-
1.22 Profit (loss) from ordinary activities after tax, attributable to members	(3,154)	3,724

Revenue and expenses from ordinary activities

(see note 15)

	Current period - \$A'000	Previous corresponding period - \$A'000
1.23 Revenue from Licence fee income	-	-
1.24 Interest revenue	18	100
1.25 Sale of EL4521	-	7,500
1.26 Administration and corporate overheads	(3,100)	(3,803)
1.27 Depreciation and amortisation excluding amortisation of intangibles (<i>see item 2.3</i>)	(72)	(73)
Capitalised outlays		
1.28 Interest costs capitalised in asset values	-	-
1.29 Outlays capitalised in intangibles (unless arising from an ⁺ acquisition of a business)	-	-

Consolidated retained profits

	Current period - \$A'000	Previous corresponding period - \$A'000
1.30 Retained profits (accumulated losses) at the beginning of the financial period	(47,518)	(51,242)
1.31 Net profit (loss) attributable to members (<i>item 1.11</i>)	(3,154)	3,724
1.32 Net transfers from (to) reserves (<i>details if material</i>)	-	-
1.33 Net effect of changes in accounting policies	-	-
1.34 Dividends and other equity distributions paid or payable	-	-
I.F.R.S		
1.35 Retained profits (accumulated losses) at end of financial period	(50,672)	(47,518)

Intangible and extraordinary items

		<i>Consolidated - current period</i>			
		Before tax \$A'000 (a)	Related tax \$A'000 (b)	Related outside +equity interests \$A'000 (c)	Amount (after tax) attributable to members \$A'000 (d)
2.1	Amortisation of goodwill	N/A	N/A	N/A	N/A
2.2	Amortisation of other intangibles	N/A	N/A	N/A	N/A
2.3	Total amortisation of intangibles	N/A	N/A	N/A	N/A
2.4	Extraordinary items (details)	N/A	N/A	N/A	N/A
2.5	Total extraordinary items	N/A	N/A	N/A	N/A

Comparison of half year profits

(Preliminary final report only)

		Current year - \$A'000	Previous year - \$A'000
3.1	Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the <i>1st</i> half year (item 1.22 in the half yearly report)	(2,030)	5,142
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the <i>2nd</i> half year	(1,124)	(1,418)

Condensed consolidated statement of financial position		At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
Current assets				
4.1	Cash	63	2,727	716
4.2	Receivables	627	1,400	817
4.3	Investments	-	-	-
4.4	Inventories	-	-	-
4.5	Tax assets	-	-	-
4.6	Other (provide details if material)	-	-	-
4.7	Total current assets	690	4,127	1,533
Non-current assets				
4.8	Receivables	-	-	-
4.9	Investments (equity accounted)	-	-	-
4.10	Other investments	-	-	-
4.11	Inventories	-	-	-
4.12	Mineral technology development and exploration and evaluation expenditure capitalised (<i>see para .71 of AASB 1022</i>)	34,593	32,347	34,051
4.13	Development properties (+mining entities)	-	-	-
4.14	Other property, plant and equipment (net)	338	362	369
4.15	Intangibles (net)	-	-	-
4.16	Tax assets	-	-	-
4.17	Other (provide details if material)	-	-	-
4.18	Total non-current assets	34,931	32,709	34,420
4.19	Total assets	35,621	36,836	35,953
Current liabilities				
4.20	Payables	573	1,251	281
4.21	Interest bearing liabilities	132	72	68
4.22	Tax liabilities	-	-	-
4.23	Provisions	1,075	1,075	1,035
4.24	Other (Project Funds in Advance)	-	-	-
4.25	Total current liabilities	1,780	2,398	1,384
Non-current liabilities				
4.26	Payables	-	-	-
4.27	Interest bearing liabilities	206	293	304
4.28	Tax liabilities	-	-	-
4.29	Provisions exc. tax liabilities	-	-	-
4.30	Other (provide details if material)	-	-	-
4.31	Total non-current liabilities	206	293	304

Condensed consolidated statement of financial position continued

4.32	Total liabilities	1,986	2,691	1,688
4.33	Net assets	33,635	34,145	34,265
	Equity			
4.34	Capital/contributed equity	84,307	81,663	83,812
4.35	Reserves	-	-	-
4.36	Retained profits (accumulated losses)	(50,672)	(47,518)	(49,547)
4.37	Equity attributable to members of the parent entity	33,635	34,145	34,265
4.38	Outside ⁺ equity interests in controlled entities	-	-	-
4.39	Total equity	33,635	34,145	34,265
4.40	Preference capital included as part of 4.37	-	-	-

Notes to the condensed consolidated statement of financial position

Technology, Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

	Current period \$A'000	Previous corresponding period - \$A'000	
5.1	Opening balance	32,347	29,520
5.2	Expenditure incurred during current period	2,246	2,827
5.3	Expenditure written off during current period	-	-
5.4	Acquisitions, disposals, revaluation increments, etc.	-	-
5.5	Expenditure transferred to Development Properties	-	-
5.5A	I.F.R.S. Compliance Adjustment	-	-
5.6	Closing balance as shown in the consolidated balance sheet (item 4.12)	34,593	32,347

Development properties

(To be completed only by entities with mining interests if amounts are material)

	Current period \$A'000	Previous corresponding period - \$A'000	
6.1	Opening balance	N/A	N/A
6.2	Expenditure incurred during current period	-	-
6.3	Expenditure transferred from exploration and evaluation	-	-

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+ See chapter 19 for defined terms.

6.4	Expenditure written off during current period	-	-
6.5	Acquisitions, disposals, revaluation increments, etc.	-	-
6.6	Expenditure transferred to mine properties	-	-
6.7	Closing balance as shown in the consolidated balance sheet (item 4.13)	-	-

Condensed consolidated statement of cash flows

	Current period \$A'000	Previous corresponding period - \$A'000
Cash flows related to operating activities		
7.1	-	-
7.2	(778)	(4,326)
7.3		
7.4		
7.5	18	94
7.6	(31)	(32)
7.7	577	345
7.8		
7.9	(214)	(3,919)
Cash flows related to investing activities		
7.10		
7.11	-	7,500
7.12		
7.13		
7.14		
7.15		
7.16	(5,021)	(3,927)
7.17	(5,021)	3,573
Cash flows related to financing activities		
7.18	2,645	2,906
7.19		
7.20	(71)	(73)
7.21		
7.22		
7.23	2,574	2,833
7.24	(2,661)	2,487
7.25	2,727	240
7.26		
7.27	66	2,727

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. *(If an amount is quantified, show comparative amount.)*

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Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding period - \$A'000
8.1 Cash on hand and at bank	66	2,727
8.2 Deposits at call		-
8.3 Bank overdraft		-
8.4 Other (provide details)		-
8.5 Total cash at end of period (item 7.27)	66	2,727

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
9.1 Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax (item 1.5) as a percentage of revenue (item 1.1)	N/A	N/A
9.2 Profit after tax / +equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 4.37)		

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

Classification of securities as ordinary shares

The following securities have been classified as ordinary shares and included in basic earnings per share:

- (a) ordinary shares

Classification of securities as potential ordinary shares

No securities have been classified as potential ordinary shares. No options are in existence.

Earnings per security (EPS)	Current period	Previous corresponding Period
Basic EPS (in cents)	(.25 cents)	.26 cents
Diluted EPS (in cents)	(.25 cents)	.26 cents

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Earnings reconciliation		
Net profit (loss)	(3,154)	3,724
Net profit (loss) attributable to outside equity interests		
Restatement of prior year earnings for effect of change in accounting policy adjusted directly against retained profits		
Basic earnings	(3,154)	3,724
After-tax effect of interest		-
Diluted earnings		
(Diluted EPS has not been calculated for ordinary shares as there are no potential ordinary shares on issue that are dilutive in respect of these shares).	-	-
Weighted average number of shares used as the denominator		
Number for basic earnings per share		
Ordinary shares	-	-

NTA backing

(see note 7)

	Current period	Previous corresponding period
11.1 Net tangible asset backing per ⁺ ordinary security	N/A	N/A

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)

12.1 Discontinuing Operations

N/A

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	N/A
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺ acquired	\$
13.3 Date from which such profit has been calculated	
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$

Loss of control of entities having material effect

14.1 Name of entity (or group of entities)	N/A
14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$
14.3 Date to which the profit (loss) in item 14.2 has been calculated	
14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$
14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$

Dividends (in the case of a trust, distributions)

15.1 Date the dividend (distribution) is payable

N/A

15.2 ⁺Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if ⁺securities are not ⁺CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if ⁺securities are ⁺CHESS approved)

15.3 If it is a final dividend, has it been declared?
(Preliminary final report only)

Amount per security

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> Final dividend: Current year	¢	¢	¢
15.5	Previous year	¢	¢	¢
15.6	<i>(Half yearly and preliminary final reports)</i> Interim dividend: Current year	¢	¢	¢
15.7	Previous year	¢	¢	¢

Total dividend (distribution) per security (interim plus final) **N/A**
(Preliminary final report only)

		Current year	Previous year
15.8	⁺ Ordinary securities	¢	¢
15.9	Preference ⁺ securities	¢	¢

Half yearly report - interim dividend (distribution) on all securities or Preliminary final report - final dividend (distribution) on all securities N/A

	Current period \$A'000	Previous corresponding period - \$A'000
15.10 +Ordinary securities (<i>each class separately</i>)		
15.11 Preference +securities (<i>each class separately</i>)		
15.12 Other equity instruments (<i>each class separately</i>)		
15.13 Total		

The +dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the +dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions). (*For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting*)

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Details of aggregate share of profits (losses) of associates and joint venture entities N/A

	Current period \$A'000	Previous corresponding period - \$A'000
Group's share of associates' and joint venture entities':		
16.1 Profit (loss) from ordinary activities before tax	N/A	N/A
16.2 Income tax on ordinary activities		
16.3 Profit (loss) from ordinary activities after tax		
16.4 Extraordinary items net of tax		
16.5 Net profit (loss)		
16.6 Adjustments		
16.7 Share of net profit (loss) of associates and joint venture entities		

Material interests in entities which are not controlled entities

N/A

The economic entity has an interest (that is material to it) in the following entities. (If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (item 1.9)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
17.1 Equity accounted associates and joint venture entities				
17.2 Total				
17.3 Other material interests				
17.4 Total				

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of +securities	Total number	Number quoted	Issue price per security	Amount paid up per security
18.1 Preference +securities (description)	-	-	-	-
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	-	-	-	-
18.3 +Ordinary securities	1,272,289,571	1,196,489,571	-	-
18.4 Changes during current period (a) Increases through issues		-		
Nov 2013	71,666,666		\$0.03	\$0.03
June 2014	22,500,000		\$0.022	\$0.022
Other - Balance of (b) Share purchase shares (c) Increase through issues	75,800,000			\$0.01

18.5	+Convertible debt securities <i>(description and conversion factor)</i>	-	-	-	-
18.6	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.7	Options <i>(description and conversion factor)</i>	-	-	<i>Exercise price</i>	<i>Expiry date (if any)</i>
18.8	Issued during current period				
18.9	Exercised during current period				
18.10	Expired during current period				
18.11	Debentures <i>(description)</i>				
18.12	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.13	Unsecured notes <i>(description)</i>	-	-		
18.14	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				

Segment reporting

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises one main business segment, based on the consolidated entity's management reporting system. Mineral sands and technology development.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The consolidated entity's business segments operate geographically as follows:

Australia Mineral sands and technology development

Primary Reporting Geographic Segments	AUSTRALIA		CONSOLIDATED	
	2014 \$'000's	2013 \$'000's	2014 \$'000's	2013 \$'000's
Revenue				
External segment revenue	18	7,600	18	7,600
Inter-segment revenue				
Total segment revenue	18	7,600	18	7,600
Other unallocated revenue				
Total revenue	<u>18</u>	<u>7,600</u>	<u>18</u>	<u>7,600</u>
Result				
Segment result – Profit / (loss)	(3,154)	3,724	(3,154)	3,724
Share of net profit or loss/result of equity accounted investments				
Unallocated corporate expenses				
Profit from ordinary activities before income tax				
Income tax (expense) / benefit				
Profit from ordinary activities after income tax				
Extraordinary items after tax				
Net profit	<u>(3,154)</u>	<u>3,724</u>	<u>(3,154)</u>	<u>3,724</u>
Depreciation and amortisation	-	-	-	-
Non-cash expenses other than depreciation and amortisation	-	-	-	-
Individually significant items	-	-	-	-

COMMENTARY

CORPORATE

In November 2013, Austpac completed a placement of 71,666,666 fully paid ordinary shares at 3 cents each to raise \$2,150,000 for the continuing development of the Newcastle Iron Recovery Plant and for working capital.

In June 2014, Austpac completed a placement of 22,500,000 fully paid ordinary shares at 2.2 cents each to raise \$495,000 for the continuing development of the Newcastle Iron Recovery Plant and for working capital. In July 2014, Austpac completed a placement of 11,000,000 fully paid ordinary shares of 2.2 cents each to raise \$242,000 for the continuing development of the Newcastle Iron Recovery Plant and for working capital.

NEWCASTLE IRON RECOVERY PLANT

BlueScope Steel Agreement

In December 2013, Austpac announced it had signed an agreement with BlueScope Steel, Australia's largest steel producer, to undertake a bulk trial to recover iron and other by-products from waste iron oxide dusts. This agreement follows extensive laboratory and pilot scale testwork previously undertaken at Newcastle on BlueScope's dusts, which produced samples of high quality iron.

BlueScope will provide a 1,000 tonne sample of dusts collected from the off-gases produced from their steel-making processes, together with sufficient spent pickle liquor, which Austpac will process at the NIRP to produce saleable iron briquettes, hydrochloric acid and other by-products. Austpac will initially use mill scale to commission the NIRP, and BlueScope's dusts will be processed during the latter part of commissioning. BlueScope has agreed to purchase the iron briquettes at appropriate commercial market rates, and plans to trial them at their Port Kembla steel-making facility.

BlueScope operates steel processing facilities in New South Wales, Victoria and New Zealand. When the trial has been completed, BlueScope has the right to negotiate with Austpac for licences to use the technology at one or more of their plants.

Iron oxide dusts are produced by all steel making facilities and they often contain other minor metals such as zinc, making them difficult to recycle due to accumulation issues. Consequently many facilities around the world have very large stockpiles, some containing millions of tonnes of the waste dust. Austpac's process separates and concentrates these minor metals allowing them to be recovered. BlueScope is the first steelmaker to recognise the potential of and commit resources to Austpac's recycling technologies. Once the trial is completed, the Company will be well placed to licence its technologies to iron and steel plants around the world. Discussions have commenced with international steel producers who are interested in Austpac's technologies.

Construction of the Newcastle Iron Recovery Plant Continues to Progress

The Mill Scale Preparation Section

During the September quarter of 2013, the iron oxide solids preparation section was completed and commissioning commenced using bagged fine mill scale from a steel mill, and by the December quarter this section was operating well. In late 2013, modifications were made to the mill scale preparation section to enable the Plant to handle very fine material such as the waste iron oxide dusts produced by furnaces during the iron and steel making processes. Closed chutes and hoppers, covers for the conveyors and a cover over the trommel were installed to minimize dust emissions and protect the mill scale and fine dusts from wind and rain, improving this section's operability.

The North Process Tower Extension

Construction at Newcastle continued during the year with fabrication and installation of steel beams and installation of steelwork in the North Process Tower. This structure will house the main process units of the Plant; namely the EARS acid regeneration and iron reduction/metallisation equipment. This comprises four fluid

beds for evaporation/pelletisation, pyrohydrolysis, gasification and iron reduction, two stoves for heat recovery, and ancillary pumps and gas compressors. The acid absorption and gas scrubbing columns will be installed on the external walls adjacent to the fluid beds.

Most steel sections for the North Process Tower extension have been fabricated and they are being installed as they are delivered to site. During the March quarter 2014, eight critical beams were installed in Level 6 of the Tower as additional support for the two refractory-filled stoves which will be used for heat recovery. The stoves were installed in 2013.

During March 2014, six solid screw feeders were delivered to the Plant and are ready for installation. Four will be used to discharge solids from product and raw material silos that were installed adjacent to the iron briquetting area in 2013, and two will be used to blend and convey feed materials to the briquetter.

Steel support beams have also been installed in Level 9 of the Tower to support the two large gasification and metallisation fluid bed roasters for iron oxide reduction. These are awaiting the completion of the high temperature tuyeres which will be installed in a refractory-lined plenum (the lower part of a fluid bed vessel that distributes fluidising gases into the bed of solids). When complete the plenums will be bolted to the upper bodies of the fluid beds prior to their installation in the Tower.

The additional steel work ensures the structure will adequately support the iron reduction fluid beds, which once operational will have a significant dynamic load when filled with fluidised iron pellets.

The Pilot Scale Facility and Furnace Dust Processing

During the past four years Austpac has processed a number of iron oxide raw materials using the Company's pilot scale equipment at Newcastle, and confirmed that several of the iron products are highly suitable for use in specialty sectors of the steel industry. However the pilot scale equipment was not able to handle the very fine iron oxide dusts so the facility was expanded and upgraded during the year under review.

The new equipment is designed to duplicate the processes being undertaken in the NIRP, which includes an initial step of evaporation/pelletisation of fine iron oxide dust and spent pickle liquor. The mixed iron oxide/iron chloride pellets are then roasted in a fluid bed to produce iron oxide pellets and hydrochloric acid gas which is captured in a scrubber. The iron oxide pellets are then reduced in Austpac's metallisation roaster to produce iron pellets or chips, which completes the three process steps.

The pilot scale facility has allowed a wide variety of steel mill wastes to be processed, including successfully processing fine mill scale and furnace dusts to verify they are suitable as feed for the Plant. Preliminary scoping of BlueScope's furnace dusts was also completed and confirmatory pilot scale work is ongoing.

Full scale trials using a 1,000 tonne sample of furnace dust will be undertaken during the latter part of commissioning of the Newcastle Iron Recovery Plant.

Corporate Developments

Austpac is engaged in negotiations with a major international company involved in the steel industry and is close to finalising project funding to complete construction, equipment installation and commissioning of and initial production at the Newcastle Iron Recovery Plant. It is anticipated this will lead to an alliance to maximise the benefits generated by commercial operations at the NIRP, and to also identify both specialty markets and applications for Austpac's technologies around the world.

Austpac has also commenced discussions with a major international diversified engineering, technology and equipment provider which is evaluating Austpac's technologies because of the value the Company's processes could add to some of their businesses.

ADDITIONAL APPLICATIONS FOR AUSTPAC'S TECHNOLOGIES

The Newcastle Iron Recovery Plant will also be used to trial large samples of other wastes, including mixed iron and other oxide fines from electric arc furnaces which use steel scrap for feedstock and also zinc-rich chloride liquors produced during galvanizing operations. Successful pilot scale testwork has also been undertaken on these materials. Larger scale trials at the Plant will lead to industry recognition of Austpac's highly effective recycling technology, and this will develop into additional commercial opportunities including licences or participation in recycling plants elsewhere.

During 2007-08 Austpac constructed and operated the ERMS SR Demonstration Plant at Newcastle, which not only produced a very high grade synthetic rutile from ilmenite, but also recycled spent leach liquor to produce fresh hydrochloric acid and iron metal. Austpac's synrutile was recognized by titanium sponge manufacturers as a premium feedstock for the production of titanium sponge, the precursor of titanium metal. Consequently the establishment of a commercial ERMS SR plant to service the titanium metal industry remains a longer term objective of the Company.

EL 5291 NHILL EXPLORATION

In late March 2014, a rotary drillhole CD5 was completed to test a magnetic low interpreted to be a strongly altered zone in the basement potentially capping an intrusive body at depth. The hole penetrated a sequence of marine sediments before encountering the basement at 149m. The hole continued for another 16m in basement material until the hardness of the rock precluded further penetration at a total depth of 165m. Petrology indicates that the chips from the base of the hole comprise intensely altered basalt. The original mineral constituents are completely replaced by fine grained quartz, chlorite and epidote, with fine aggregates of sulphide minerals (pyrite and marcasite, with rare chalcopyrite and bornite). Local areas of hydrothermal brecciation were observed. This strong propylitic alteration is typically found in the outer or upper portion of a porphyry system. Assays from the CD5 rock fragments are low reflecting metal depletion on the ancient land surface beneath the Murray Basin sediments.

Diamond drilling is required at Nhill to test the deep porphyry target identified by work to date.

Mount Stavely Volcanic Complex

The Mount Stavely Volcanic Complex is now the subject of strong exploration interest from Government agencies and from private companies. Geoscience Australia is collaborating with the Geological Survey of Victoria in undertaking a substantial program of stratigraphic drilling along east-west transects, which are located both south and north of EL 5291. The objective of this work is to improve the geological understanding of this under-explored region, with its potential for porphyry copper-gold mineralisation. Their results will assist Austpac's program as the Nhill target area falls about half way between two of the transects.

Navarre Minerals Limited has announced in June 2014 that it has commenced a 3,000 metre drilling program at its 100%-owned Eclipse porphyry copper-gold prospect.

Stavely Minerals Limited recently provided a positive update on deep drilling at the Stavely porphyry prospect in western Victoria, advising that the results would assist their objective of "systematically vectoring into what should be the best-developed copper-gold mineralisation in the very large Thursday's Gossan porphyry system".

Mining Exploration Entities

EL 5291 (Nhill); Located between Nhill and Dimboola, Victoria; 100% Austpac Resources N.L.

Basis of financial report preparation

19.1 The accounting policies adopted are consistent with those of the previous financial year. The Australian Accounting Standards Board (A.A.S.B.) is implementing the Financial Reporting Councils policy of adopting the International Financial Reporting Standards (I.F.R.S.), which has applied to the Austpac Resources N.L. reporting period from 1 July 2005.

Austpac Resources N.L. has undertaken a policy of review and assessment of the impact of I.F.R.S. on Austpac Resources N.L. financial reporting.

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+ See chapter 19 for defined terms.

Management is considering the impact on the financial reports of the company. The principal area of impact on Austpac Resources N.L. is the carrying value of capitalised expenditure on Technology Development in the Austpac Resources N.L. Statement of Financial Position.

- 19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

None	-
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- 19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

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- 19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

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- 19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

- 19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

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- 19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

-

- 19.8 The financial report has been prepared on the basis of a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The directors believe that the company and the consolidated entity will be able to fund future operations through share issues, the successful commercialisation of mineral technologies and the joint venturing of interests held in mineral projects.

Without the equity raisings and joint venturing or sale of interests held in mineral tenements and projects there is uncertainty whether the consolidated entity will be able to continue as a going concern.

If the consolidated entity is unable to continue as a going concern, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities in order to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

Additional disclosure for trusts

20.1	Number of units held by the management company or responsible entity or their related parties.	-
20.2	A statement of the fees and commissions payable to the management company or responsible entity. Identify: <ul style="list-style-type: none"> • initial service charges • management fees • other fees 	-

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

ALL SEASONS PREMIER MENZIES HOTEL CARRINGTON STREET, SYDNEY
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Date

13 NOVEMBER 2014

Time

3.00PM

Approximate date the ⁺annual report will be available

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Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views
- 2 This report gives a true and fair view of the matters disclosed
- 3 This report is based on ⁺accounts to which one of the following applies.
(Tick one)

<input type="checkbox"/> The ⁺ accounts have been audited.	<input type="checkbox"/> The ⁺ accounts have been subject to review.
<input type="checkbox"/> The ⁺ accounts are in the process of being audited or subject to review.	<input checked="" type="checkbox"/> The ⁺ accounts have <i>not</i> yet been audited or reviewed.
- 4 The audit report is not attached.
- 5 The entity does have a formally constituted audit committee.

Sign here: Date: 29 August 2014
(Company Secretary)

Print name: NICHOLAS J. GASTON.....